

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 16593 01 OF 02 291315Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 FS-01 ABF-01 OMB-01 TRSE-00 EB-07 CIEP-01

CEA-01 FRB-01 /068 W

----- 027392

R 291100Z NOV 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8420

INFO AMEMBASSY PARIS

USCINCEUR VAIHINGEN/ECCM

LIMITED OFFICIAL USE SECTION 1 OF 2 ROME 16593

PASS DEFENSE, TREASURY (OASIA FOR WIDMAN AND FISCAL
SERVICE FOR COX), PARIS RFC FOR LERCHBAUM

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ARRANGEMENTS FOR OFFICIAL PURCHASES OF LIRE IN ITALY

REF: ROME 7116 OF MAY 23, 1974

1. SUMMARY. BECAUSE OF PREFERENCES EXPRESSED BY DOD
WASHINGTON AND PARIS RFC, EMBASSY WITHDRAWS ITS
PROPOSAL CONTAINED IN REFTEL AND SUGGESTS THAT 1947
"TASCA" AGREEMENT CONCERNING PROCEDURES FOR OFFICIAL USG
PURCHASES OF LIRE BE TERMINATED. USG AGENCIES
WOULD, INSTEAD, FOLLOW USUAL USG WORLDWIDE PROCEDURES
FOR PURCHASE OF FOREIGN CURRENCIES IN EXCHANGE MARKETS
RATHER THAN CONTINUING THIS SPECIAL ARRANGEMENT WITH
ITALIAN CENTRAL BANK. EMBASSY SEEKS AUTHORIZATION
FROM CONCERNED WASHINGTON AGENCIES BY DECEMBER 11 TO
TERMINATE TASCA AGREEMENT AND TO INSTITUTE NEW
PROCEDURES ON JANUARY 1, 1975. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 16593 01 OF 02 291315Z

2. DOD IN WASHINGTON AND PARIS RFC HAVE EXPRESSED PREFERENCE FOR PURCHASING LIRE IN EXCHANGE MARKETS RATHER THAN TO CONTINUE PURCHASES OF LIRE FROM CENTRAL BANK UNDER 1947 TASCA AGREEMENT. WE UNDERSTAND FROM BANK OF ITALY AND ITALIAN EXCHANGE OFFICE, WHICH HAVE BEEN MAINLY RESPONSIBLE FOR OPERATION OF TASCA AGREEMENT, THAT THEY WOULD BE RELIEVED TO HAVE THIS RESPONSIBILITY REMOVED, PROVIDED THAT USG AGENCIES WOULD SUBMIT MONTHLY REPORTS OF THEIR EXCHANGE TRANSACTIONS FOR STATISTICAL AND EXCHANGE CONTROL PURPOSES. USG AGENCIES WOULD THEN BE FREE TO PURCHASE LIRE EITHER IN ITALIAN EXCHANGE MARKETS FROM COMMERCIAL BANKS AND OTHER AUTHORIZED DEALERS OR FROM LIRE SOURCES OUTSIDE OF ITALY. IN BOTH CASES PURCHASES WOULD, OF COURSE, HAVE TO BE IN CONFORMITY WITH ITALIAN EXCHANGE CONTROL LAWS, INCLUDING REGULATIONS GOVERNING TRANSFERS IN AND OUT OF ITALY OF BANKING FUNDS, CURRENCY AND OTHER INSTRUMENTS.

3. ALTHOUGH EMBASSY DOUBTS THAT FREEDOM TO PURCHASE LIRE IN EXCHANGE MARKETS INSTEAD OF FROM BANK OF ITALY WILL NECESSARILY RESULT IN BETTER EXCHANGE RATES THAN HAVE BEEN AVAILABLE IN THE PAST, ADVANTAGES OF SPECIAL TASCA ARRANGEMENTS NOW APPEAR TO BE OF MARGINAL VALUE AND THERE IS SOMETHING TO BE SAID FOR CHANGE TO PROCEDURES NORMALLY USED BY USG AGENCIES WORLDWIDE. CONSEQUENTLY, EMBASSY IS WILLING TO GO ALONG WITH DOD AND RFC PREFERENCES. WE HAVE ALSO BEEN ASSURED BY MILITARY FINANCE OFFICERS WHO MET WITH US IN ROME ON SEPTEMBER 16 THAT TERMINATION OF TASCA AGREEMENT WOULD NOT CREATE PROBLEMS FOR THEM.

4. DETAILS OF PROPOSED LIRA PURCHASE SYSTEM FOLLOW:
ASSUMING THAT TASCA AGREEMENT IS TERMINATED, USG AGENCIES WOULD HENCEFORTH BE FREE TO PURCHASE LIRE IN ITALY FROM COMMERCIAL BANKS AND OTHER AUTHORIZED EXCHANGE DEALERS WITHIN LIMITS OF EXCHANGE CONTROL REGULATIONS. USG AGENCIES COULD ALSO PURCHASE LIRE OUTSIDE OF ITALY FOR TRANSFER INTO OFFICIAL ACCOUNTS WITHIN TERMS PERMITTED BY ITALIAN EXCHANGE CONTROL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 16593 01 OF 02 291315Z

REGULATIONS. (NOTE, FOR EXAMPLE, THAT CURRENTLY LIRE CURRENCY MAY NOT BE IMPORTED OR EXPORTED INTO OR OUT OF ITALY IN AMOUNTS EXCEEDING 35,000 LIRE.) PURCHASES MIGHT BE MADE INDIVIDUALLY BY EACH MILITARY OR CIVILIAN FINANCE OFFICER. ALTERNATIVELY, IT MIGHT SOMETIMES BE CONVENIENT TO PURCHASE LIRE CENTRALLY THROUGH PARIS RFC OR THROUGH MILITARY CHANNELS. PRESUMABLY, EACH CIVILIAN OR MILITARY AGENCY WOULD BE FREE TO FOLLOW CURRENT

USG REGULATIONS (SO LONG AS THEY WERE NOT IN CONFLICT WITH ITALIAN LAWS AND REGULATIONS). NORMALLY, THIS WOULD CALL FOR DAILY SURVEY OF RATES AVAILABLE LOCALLY OR ABROAD AND DAILY EXCHANGE RATES WOULD ALSO BE FIXED IN ACCORDANCE WITH EXISTING USG REGULATIONS. AT END OF EACH MONTH FINANCE OFFICERS WOULD BE REQUIRED TO SUBMIT REPORT GIVING DETAILS OF THEIR EXCHANGE TRANSACTIONS THAT MONTH TO TREASURY ATTACHE AT EMBASSY ROME FOR TRANSMISSION TO BANK OF ITALY AND ITALIAN EXCHANGE OFFICE. AT BEGINNING OF OPERATION OF NEW SYSTEM, IT WOULD BE DESIRABLE FOR RESPONSIBLE OFFICERS TO REVIEW USG CURRENCY REGULATIONS AND TO FAMILIARIZE THEMSELVES ONCE AGAIN WITH EXISTING ITALIAN REGULATIONS IN ORDER TO AVOID CONFLICT WITH THESE RULES. EXISTENCE OF THESE RULES MIGHT ALSO BE CALLED TO ATTENTION OF USG PERSONNEL.

5. EMBASSY HAS BEEN EXPLORING THESE QUESTIONS WITH VARIOUS ITALIAN OFFICIAL AGENCIES, I.E., MINISTRIES OF TREASURY AND FOREIGN TRADE, BANK OF ITALY AND ITALIAN EXCHANGE OFFICE. WE BELIEVE THAT MOST TECHNICAL ASPECTS OF NEW PROCEDURE WHICH MIGHT POSE DIFFICULTIES HAVE BEEN IDENTIFIED AND THAT SUCH TECHNICAL DETAILS CAN BE RESOLVED IN RELATIVELY SHORT PERIOD OF TIME. EMBASSY WOULD LIKE TO TRANSMIT SIMPLE LETTER TO MINISTER OF TREASURY NOTIFYING HIM OF TERMINATION OF TASCA AGREEMENT AS SOON AS POSSIBLE BEFORE END-1974. WE WOULD ASK HIM FOR LETTER OF ACKNOWLEDGEMENT OF TERMINATION. WE WOULD ALSO CONTINUE OUR INFORMAL TALKS WITH ITALIAN OFFICIALS CONCERNING RESOLUTION OF TRANSITIONAL PROBLEMS AND REGARDING CIRCULATION OF ANY OPERATIONAL INSTRUCTIONS WHICH MAY BE REQUIRED AS A RESULT OF TERMINATION OF TASCA LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 ROME 16593 01 OF 02 291315Z

AGREEMENT. WE WOULD LIKE TO INTRODUCE NEW PROCEDURES BEGINNING JANUARY 1, 1975.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 ROME 16593 02 OF 02 291319Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 FS-01 ABF-01 OMB-01 TRSE-00 EB-07 CIEP-01

CEA-01 FRB-01 /068 W

----- 027448

R 291100Z NOV 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8421

INFO AMEMBASSY PARIS

USNAAA/USCINCEUR VAIHINGEN/ECCM

LIMITED OFFICIAL USE SECTION 2 OF 2 ROME 16593

PASS DEFENSE, TREASURY (OASIA FOR WIDMAN AND FISCAL SERVICE FOR COX),
PARIS RFC FOR LERCHBAUM

7. TEXT OF DRAFT LETTER FROM AMBASSADOR TO TREASURY
MINISTER REGARDING NOTIFICATION OF TERMINATION FOLLOWS:

8. BEGIN QUOTE. DEAR MR. MINISTER: SINCE 1947 A
SPECIAL AGREEMENT, THE "TASCA AGREEMENT," HAS BEEN IN
EFFECT TO REGULATE PROCEDURES FOR DETERMINING THE
DOLLAR-LIRA RATE OF EXCHANGE APPLIED TO UNITED STATES
GOVERNMENT EXPENDITURES IN ITALY AND THE PROCEDURES
USED FOR PURCHASING LIRE FOR THESE PURPOSES. THIS
AGREEMENT, WHICH DATES FROM JANUARY 25, 1947, TOOK
THE FORM OF AN EXCHANGE OF LETTERS BETWEEN THE THEN
MINISTER OF THE TREASURY BERTONE AND MR. TASCA, THEN
U.S. TREASURY REPRESENTATIVE AT THE AMERICAN EMBASSY IN ROME.

9. ALTHOUGH THE AGREEMENT SUCCESSFULLY REGULATED
THESE MATTERS FOR MANY YEARS, DUE TO RECENT CHANGES
IN THE FOREIGN EXCHANGE REGIME IN ITALY AND OF DEVELOP-
MENTS IN THE EXCHANGE MARKETS, IT IS NOW THE BELIEF
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 16593 02 OF 02 291319Z

OF U.S. GOVERNMENT AUTHORITIES THAT A SPECIAL ARRANGMENT
OF THIS KIND IS NO LONGER NECESSARY.

10. REPRESENTATIVES OF THE UNITED STATES EMBASSY
HAVE HAD INFORMAL DISCUSSIONS OF THIS MATTER WITH
OFFICIALS OF THE ITALIAN MINISTRIES OF TREASURY AND
FOREIGN TRADE AND WITH OFFICIALS OF THE BANK OF ITALY

AND OF THE ITALIAN EXCHANGE OFFICE. IT IS OUR BELIEF THAT TERMINATION OF THE AGREEMENT SHOULD NOT PRESENT ANY PROBLEMS, EITHER FOR THE UNITED STATES GOVERNMENT OR FOR THE GOVERNMENT OF ITALY. IF THE AGREEMENT IS TERMINATED, U.S. GOVERNMENT AGENCIES WOULD, HENCEFORTH, PURCHASE LIRE EITHER INSIDE ITALY OR OUTSIDE ITALY, BUT ALWAYS IN CONFORMITY WITH ITALIAN EXCHANGE CONTROL REGULATIONS. IT COULD BE AGREED THAT U.S. GOVERNMENT AGENCIES WOULD MAKE MONTHLY REPORTS FOR STATISTICAL PURPOSES TO THE BANK OF ITALY.

11. I WOULD WELCOME YOUR LETTER OF ACKNOWLEDGEMENT CONFIRMING THE TERMINATION OF THE TASCA AGREEMENT AS OF JANUARY 1, 1975, OR AS OF SUCH LATER DATE AS MAY BE NECESSARY IN ORDER TO PERMIT THE PREPARATION AND IMPLEMENTATION OF ANY NECESSARY TRANSITIONAL ARRANGEMENTS.

12. FINALLY, I WOULD LIKE TO THANK YOU ON BEHALF OF MY GOVERNMENT FOR THE MANY YEARS OF COOPERATION ON THE PART OF THE ITALIAN AUTHORITIES IN IMPLEMENTATION OF THE TASCA AGREEMENT. SINCERELY YOURS, JOHN A. VOLPE. END QUOTE.

13. ACTION REQUESTED. EMBASSY SEEKS AUTHORIZATION BY WASHINGTON AGENCIES TO NOTIFY ITALIAN AUTHORITIES OF TERMINATION OF TASCA AGREEMENT AND TO SUBSTITUTE USUAL USG PROCEDURES FOR PURCHASING FOREIGN CURRENCY IN EXCHANGE MARKETS INSIDE AND OUTSIDE ITALY, TO EXTENT THAT THEY DO NOT CONFLICT WITH ITALIAN LAWS AND REGULATIONS. WOULD APPRECIATE RESPONSE NO LATER THAN DECEMBER 11. VOLPE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, BALANCE OF PAYMENTS, LIRA, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ROME16593
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740346-0731
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974113/aaaaabul.tel
Line Count: 254
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: ROME 7116 OF MAY 23, 1974
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAY 2002 by cunninfx>; APPROVED <26 DEC 2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ARRANGEMENTS FOR OFFICIAL PURCHASES OF LIRE IN ITALY
TAGS: EFIN, IT, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005